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DEPARTMENT OF AGRICULTURE
LANSING

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May Day to Labor Day Project

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Background:

The spring of 2004 saw near record gasoline prices throughout Michigan and across the nation. The Department of Energy's (DOE) Energy Information Agency (EIA) predicted that consumers would continue to face high gasoline prices throughout the summer driving season. In response to these conditions and in order to ensure that consumers were getting what they paid for and that industry had a level playing field from which to compete, Governor Jennifer M. Granholm called upon the Michigan Department of Agriculture (MDA) to increase its monitoring at the 5,100 retail outlets located throughout the state. MDA is the only state or federal agency charged with monitoring and regulating the quality and quantity of approximately five billion gallons of gasoline and quantity of the approximately 1.2 billion gallons of diesel fuel sold to Michigan consumers annually.

Project:

Responding to the Governor's request, MDA Director Dan Wyant announced the "May Day to Labor Day" (MDLD) Project during a series of press conferences held around the state on April 14, 2004. The MDLD Project was scheduled to commence on May 1, 2004 and run through Sept. 7, 2004, effectively covering Michigan's important summer travel season. The MDLD Project goal was to increase by at least 20 percent the number of locations monitored for quality and quantity over the same period the previous year. The MDLD Project would involve abbreviated inspection protocols – or "audits" – to allow for maximum operator contact across the state.

Project Protocol:

The MDLD Project audited retail gas stations for the three major areas of potential concern: octane violations, water contamination/excess water in storage tanks, and inaccurate fuel pumps. General audit protocol included:

- Announcing arrival at the station;
- Randomly selecting one pump for each grade of gasoline;
- Verifying proper quantity by dispensing gasoline into a calibrated test measure and comparing the test measure reading to the dispenser indication;
- Examining dispensed gasoline for visible water or other possible contaminants;
- Screening for proper octane utilizing portable computerized near infrared testers;
- Checking storage tanks for illegal water levels utilizing water indicating paste;
- Investigating further if any indication of short measure, water, sediment, or low octane were found;

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- Ordering immediate repair of devices found delivering short measure;
- Issuing “stop sales” at stations found misrepresenting product octane or selling product that exceeded water level tolerances; and
- Moving on to next location if no problems were found to maximize efforts and broaden the scope of the effort.

Project Results:

953 retail outlets – a 30-percent increase over the previous year – were visited during the period May 1 to Sept. 7. These stations were located throughout the state. Significant MDLD Project results:

- Problems were identified at 175 of 953 retail outlets inspected (18.4 percent)
 - 66 had quality violations
 - 115 had quantity violations
 - Six locations had both quality and quantity violations
- 29 percent of gasoline samples collected failed to meet state-established standards for quality
 - Gas samples were “targeted” based upon complaint information and/or field screening prior to submitting an “official” sample
- 12 percent of all devices inspected failed to meet state-established standards for quantity (accuracy)
- 112 Motor Fuels Quality complaints were received – a 133-percent increase over the same period in 2003
- 399 Weights and Measures complaints were received – a 60-percent increase over the same period in 2003
 - Nearly 1 in 5 consumer complaints investigated resulted in a verified violation
- 42 stations were issued fines for repeat quality violations related to water, octane, vapor pressure, misrepresentation of product, and contaminated product
- Eight stations were issued fines for delivering less than the quantity represented

Project Complaint Response:

Consumer and industry complaints were up considerably during this project period and continued to be assigned highest priority. 511 consumers called the hotline number (800-MDA-FUEL) during the MDLD Project and registered a complaint about either the quality or quantity of the gasoline that they had purchased. In order to fully respond to the record complaint load and still meet the project goals, 10 qualified staff from other program areas within the Laboratory Division were re-assigned to assist in the MDLD Project. These staff either worked directly on the program or assisted in ensuring that the vapor pressure of gasoline was monitored to meet air quality program obligations in Southeast Michigan. All routine sampling, inspections, and special investigations were suspended to allow full focus on this project.

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Conclusion:

The May Day to Labor Day Project examined three historical problem areas for retail gasoline sales in Michigan: octane violations, water contamination/excess water in storage tanks, and inaccurate pumps. The MDLD Project was designed to “audit” the greatest number of locations possible while still responding to core activities (i.e. complaint investigation). Such auditing procedures provide a “snapshot” of current conditions for the consumer at retail, but are unlikely to detect covert fraud or quality and quantity problems that require more in-depth testing and investigation. The necessary focus on complaint response, along with targeted inspections/sampling at “problem locations,” can reflect violation rates higher than might otherwise be found with a more random and more comprehensive inspection protocol.

Concerns remain in this vital industry sector. Advance media attention certainly made the industry aware of the MDLD Project, and the “audit” inspection results reveal that most retailers will strive to assure compliance when there is the expectation of an impending official inspection. However, the project results – coupled with the 74-percent overall increase in consumer complaints with a nearly 1 in 5 substantiation rate – indicates the need for MDA to remain vigilant in the marketplace to detect and correct violative situations before potential harm to the consumer and/or industry occurs. Finally, as of this writing, crude oil prices have crested the \$50 per barrel mark, increasing the economic impact of motor fuel quality and quantity violations and underscoring the need for adequate marketplace protection for Michigan’s consumers and the retail motor fuels industry.

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